

# BUDGET LETTER

NUMBER: 96-06

SUBJECT: 1996-97 AND 1997-98 EMPLOYER RETIREMENT  
CONTRIBUTION RATE ADJUSTMENT INSTRUCTION  
LETTER

DATE ISSUED: JULY 24, 1996

REFERENCES:

SUPERSEDES:  
BUDGET LETTER 95-11

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

## **Control Section 3.60 (a)**

### Background

Control Section 3.60(a), of the 1996 Budget Act, authorizes the Department of Finance (DOF) to adjust any Budget Act appropriation, as needed, to reflect the rate changes for the employer's contributions to the Public Employees' Retirement System (PERS) for the 1996-97 fiscal year.

The Legislature adopted employer retirement contribution rates that are not reflected in individual departmental base budgets. Specifically, the 1996-97 employer retirement contribution rates have increased in each of the six retirement categories. The rate increases are primarily attributable to estimated cost increases in PERS cost-of-living adjustment programs. As a result, departmental appropriations need to be increased to reflect the fiscal impact of the new rates.

### Funding Policy

Pursuant to the authority in Control Section 3.60(a), departments incurring an increase in total retirement costs will receive a funding augmentation through an Executive Order.

### Budget Adjustment Instructions

The attached forms must be completed by each department and submitted to the DOF. Departments should use the "1996-97 Employer Retirement Rate Contribution Adjustment Worksheet" (Attachment A) to calculate the required budget adjustment. The funding adjustment calculated on the worksheet must be scheduled by program or category and fund. Attachment B illustrates how to distribute the employer contribution funding adjustment by program or category appropriation. The total adjustment for all funds should be identified on Attachment C.

### Adjustments to Related Budget Documents

Employer retirement contribution adjustments will be reflected in budget documents including the Reconciliation With Appropriations ["Adjustment per Section 3.60(a)"], Supplementary Schedule of Appropriations (Schedule 10s), and the Planning Estimates (line 0200-PERS Rate Adjustment). These baseline adjustments should be made to both the current and budget years.

### Special Instructions for CALSTARS Departments

CALSTARS departments and departments with automated accounting systems which cannot accommodate "amounts payable from other appropriations" must process a "BR-1" before completing these forms. BR-1 removes the amounts payable schedules from their main support item and schedules their subsidiary items. Therefore, the subsidiary items will be "scheduled" by program or category (see instructions for preparing BR-1 in Budget Letter 96-04).

### Control Section 3.60(b)

Control Section 3.60(b) of the 1996 Budget Act authorizes the DOF to require the State Controller to offset employer retirement contributions with surplus funds in the asset accounts of the Public Employees' Retirement Fund. No adjustments are to be made at this time for offsetting retirement contributions with surplus assets. If necessary, instructions for accomplishing these reductions may be issued to those few affected departments at a later date.

### Due Dates

Departments are required to return all Control Section 3.60(a) worksheets to their respective Finance Budget Analysts **as soon as possible but not later than August 23, 1996**. Finance Budget Analysts should review the information submitted by their departments and submit the completed worksheets to Bob Wiens in the Administrative Services Unit **no later than August 30, 1996**.

For any additional information and/or questions regarding Control Section 3.60 or related employee retirement rate issues, please contact your Finance Budget Analyst, or Bob Wiens, Department of Finance, at 916-445-3274, ext. 31.



Carl Rogers  
Program Budget Manager

### Attachments

ASU/WRDINDEX/bi/BLEMPC1.931

#### **Upcoming Budget Letters**

- 1997-98 Price Letters Standards
- 1996 Budget Act Control Sections
- 1997-98 Budget Development Policy Guidelines
- Initial 1997-98 Budget Galley
- 1997-98 Salaries and Wages Galley and Position Cost Estimates

1996-97  
EMPLOYER RETIREMENT RATE CONTRIBUTION ADJUSTMENT  
WORKSHEET  
(Whole Dollars)

Department Name: \_\_\_\_\_

Organization Code: \_\_\_\_\_

PERS MEMBERSHIP CATEGORY	A BUDGETED RETIREMENT CONTRIBUTION AMOUNT <u>1/</u>	B 1995-96 BUDGETED RETIREMENT CONTRIBUTION RATES	C 1996-97 ENACTED RETIREMENT CONTRIBUTION RATES	D PERCENT CHANGE FROM BUDGETED CONTRIBUTION RATES	E RETIREMENT CONTRIBUTION ADJUSTMENT AMOUNT (AxD)
Miscellaneous, Tier 1	\$ _____	12.350%	13.106%	+6.121%	\$ _____
Miscellaneous, Tier 2	\$ _____	8.326%	9.345%	+12.239%	\$ _____
Industrial	\$ _____	8.981%	9.260%	+3.107%	\$ _____
Safety	\$ _____	14.228%	14.656%	+3.008%	\$ _____
Highway Patrol	\$ _____	14.778%	15.851%	+7.261%	\$ _____
Peace Officer/Firefighter	\$ _____	14.350%	15.401%	+7.324%	\$ _____
<b>TOTAL</b>	\$ _____				\$ _____

1/ It is recommended that departments calculate the amount budgeted for each retirement category using their reconciled Salaries and Wages Supplements (i.e., Schedule 7A) as the basis/starting point for their calculations.

## EXAMPLE

Indicate distribution of these dollars across all support appropriations, including categories or programs, and reimbursements. Include the effect on subsidiary items, if any.

TOTAL BUDGET ADJUSTMENT PURSUANT TO CONTROL SECTION 3.60 (a), BUDGET ACT OF 1996: \$10,000

## PROGRAM APPROPRIATION EXAMPLE

<u>Main Support Item XXXX-001-0001</u>	\$6,000
Program A	\$6,000
Program B	\$4,000
Administration	\$XXX
Distributed Administration	-\$XXX
<u>b/ Amount Payable (Fund 0890)</u>	-\$3,000
Reimbursements	-\$1,000
<u>Subsidiary Item(s) XXXX-001-0890</u>	\$3,000
<u>b/Unscheduled</u>	\$3,000
<u>Reimbursements</u>	<u>\$1,000</u>
TOTAL ADJUSTMENT, ALL FUNDS	\$10,000

## CATEGORY APPROPRIATION EXAMPLE

<u>Main Support Item XXXX-001-0001</u>	\$6,000
Personal Services	\$10,000
a/ OE&E	
<u>b/ Amount Payable (Fund 890)</u>	-\$3,000
Reimbursements	-\$1,000
<u>Subsidiary Item(s) XXXX-001-0890</u>	
<u>b/ Unscheduled</u>	\$3,000
<u>Reimbursements</u>	\$1,000
TOTAL ADJUSTMENT, ALL FUNDS	\$10,000

- a/ Departments with interdepartmental personal services contracts will need to determine if those contracts include retirement funding and, therefore, require adjustment.
- b/ CALSTARS departments and departments with automated accounting systems which cannot accommodate "amounts payable from other appropriations" must process "BR-1" removing the amounts payable schedules from their main support item and scheduling to their subsidiary items before completing these forms. Therefore, the subsidiary items will be "scheduled" by programs or categories, not "unscheduled" (see instructions for preparing BR-1 in Budget Letter 96-04).

DEPARTMENT\_\_\_\_\_

ATTACHMENT C

ORG. CODE\_\_\_\_\_

TOTAL BUDGET ADJUSTMENT PURSUANT TO CONTROL SECTION 3.60 (a), BUDGET ACT OF 1996: \$\_\_\_\_\_  
(The sum of Attachment A, Col. E; in whole dollars)

Main Support Item\_\_\_\_\_ \$\_\_\_\_\_

Program/Categories

\_\_\_\_\_ \$\_\_\_\_\_

\_\_\_\_\_ \$\_\_\_\_\_

\_\_\_\_\_ \$\_\_\_\_\_

\_\_\_\_\_ \$\_\_\_\_\_

Reimbursements\_\_\_\_\_ \$\_\_\_\_\_

Subsidiary Item(s)\_\_\_\_\_ \$\_\_\_\_\_

Unscheduled \$\_\_\_\_\_

OR

Programs/Categories

\_\_\_\_\_ \$\_\_\_\_\_

\_\_\_\_\_ \$\_\_\_\_\_

\_\_\_\_\_ \$\_\_\_\_\_

Reimbursements \$\_\_\_\_\_

TOTAL ADJUSTMENT, ALL FUNDS \$\_\_\_\_\_